



7020-02

INTERNATIONAL TRADE COMMISSION

[Investigation No. 337-TA-936 (Remand)]

Certain Footwear Products

Commission Determination to Review in Part a Remand Initial Determination and to Extend the Target Date; Request for Written Submissions on the Issues under Review and on Remedy, Bonding, and the Public Interest

AGENCY: U.S. International Trade Commission.

ACTION: Notice.

SUMMARY: Notice is hereby given that the U.S. International Trade Commission has determined to review a remand initial determination (“RID”) of the presiding administrative law judge (“ALJ”) in part. The Commission requests briefing from the parties on certain issues under review, as indicated in this notice. The Commission also requests briefing from the parties, government agencies, and interested persons on the issues of remedy, the public interest, and bonding. The Commission has also determined to extend the target date for the completion of the above-captioned investigation to May 28, 2020.

FOR FURTHER INFORMATION CONTACT: Clint Gerdine, Esq., Office of the General Counsel, U.S. International Trade Commission, 500 E Street, S.W., Washington, D.C. 20436, telephone (202) 708-2310. Copies of non-confidential documents filed in connection with this investigation are or will be available for inspection during official business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary, U.S. International Trade Commission, 500 E Street, S.W., Washington, D.C. 20436, telephone (202) 205-2000. General information concerning the

Commission may also be obtained by accessing its Internet server at <https://www.usitc.gov>.

The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at <https://edis.usitc.gov>. Hearing-impaired persons are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on (202) 205-1810.

SUPPLEMENTARY INFORMATION: The Commission instituted this investigation on November 17, 2014, based on a complaint filed on behalf of Converse Inc. of North Andover, Massachusetts. 79 FR 68482 (Nov. 17, 2014). The complaint alleges, *inter alia*, violations of section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. 1337, based upon the importation into the United States, the sale for importation, and the sale within the United States after importation of certain footwear products by reason of infringement of U.S. Trademark Registration No. 4,398,753 ("the '753 Registration"), registered on September 10, 2013, and the common law trademark rights for the same mark (the "Converse Midsole Trademark" or "CMT"). *See id.* The Commission's notice of investigation names numerous respondents including Skechers U.S.A., Inc. ("Skechers") of Manhattan Beach, California, and Highline United LLC d/b/a Ash Footwear USA ("Highline"), now of Hyde Park, Massachusetts. *Id.* at 68482-483. New Balance Athletic Shoe, Inc. ("New Balance") of Boston, Massachusetts, was subsequently added to the investigation as a respondent-intervenor. 80 FR 9748 (Feb. 24, 2015). These three respondents remain active in the investigation. The following five respondents were found in default: Dioniso SRL of Perugia, Italy; Shenzhen Foreversun Industrial Co., Ltd. (a/k/a Shenzhen Foreversun Shoes Co., Ltd.) of Shenzhen, China; Fujian Xinya I&E Trading Co. Ltd. of Jinjiang, China; and Zhejiang Ouhai International Trade Co. Ltd. and Wenzhou Cereals Oils & Foodstuffs Foreign Trade Co. Ltd., both of Wenzhou, China. Every other respondent was terminated from

the investigation or settled with Complainant after the Commission's final determination. The Office of Unfair Import Investigations ("OUII") is also a party to the investigation. 79 FR 68483. The investigation was remanded to the Commission by the Federal Circuit in *Converse, Inc. v. International Trade Commission*, 909 F.3d 1110 (Fed. Cir. 2018). On April 9, 2019, the Commission, in turn, remanded the matter to the ALJ who adjudicated the original investigation.

On October 9, 2019, The ALJ issued his RID finding no violation of section 337 as to all accused products of each active respondent. Specifically, the RID found that Converse had not established secondary meaning of the CMT prior to the time of first infringement for any active respondent and, therefore, there were no valid common law trademark rights in the CMT. The RID also found that the active respondents' accused products do not infringe even if the CMT were found to have acquired secondary meaning, except for one Skechers product found to infringe. The RID further found a violation as to the accused products of the defaulting respondents because they infringe the CMT after the registration date of the '753 Registration.

On October 22, 2019, Converse, the active respondents, and OUII each filed a petition for review of the RID. On October 30, 2019, each of these parties filed responses to the other petitions for review.

Having reviewed the record of the investigation, including the parties' briefing, the Commission has determined to review the RID in part. Specifically, the Commission has determined to review the RID's infringement, validity, and injury analyses with respect to the asserted common law and federal registration rights in the CMT. *See* RID at 8-86, 87. The Commission now requests briefing from the parties on the following questions:

- (1) For each of the six (6) secondary-meaning factors in *Converse*, 909 F.3d at 1120, please identify and discuss the evidence in the record you assert is relevant to whether

the CMT has acquired secondary meaning prior to the first infringing use by each active respondent. Pay special attention to evidence that falls within five years before the relevant first use dates and to the questions below. Provide a summary of your evidence in a table including the specific factor (or subpart thereof) to which each piece of evidence is relevant, the date of the evidence, and the impact of the evidence on consumer perceptions. Any evidence not included in your submission will be deemed waived and will not be considered.

- a. Factor 2 – For each relevant time frame, identify which third-party’s shoes, having designs substantially similar to the CMT design, were in use in the United States. Explain (1) why each shoe’s design is substantially similar to the CMT; (2) the extent of that third-party use; and (3) the impact of that use on the consuming public (through the extent or volume of sales, etc.). Explain whether third-party uses can be considered if there is no evidence of the impact of that use on the consuming public. Include a table summarizing the third-party use upon which you rely, why the use is substantially similar, and the extent and impact of the third-party use. For the same time periods, identify the extent, degree, and impact of Converse’s use of the CMT design. Please explain how the Commission should analyze the amount of Converse’s sales in relation to the amount of third-party sales and note where this information is in the record.
- b. Factor 5 – Identify all evidence of intentional copying of the CMT. Indicate if there is evidence supporting any explanation for this copying other than to pass off the copied product as the CMT design owner’s. Is evidence of intentional

copying by Skechers relevant to this factor at least with respect to Highline and New Balance?

- c. Factor 6 – Please explain whether factor (6) is the same as the factor previously relied upon by the Commission (*i.e.*, effectiveness of the effort to create secondary meaning). Assuming it is not the same, please identify what evidence pertains to factor (6), unsolicited media coverage of the product embodying the mark.

- (2) Explain how the evidence pertaining to the six factors should be weighed in determining whether the CMT has acquired secondary meaning. Is it appropriate to accord some factors more weight than others in this investigation, and if so why? Is a simple tally of factors the proper method of weighing them?
- (3) Explain whether New Balance's PF Flyers shoes that are accused of infringement are identical to the PF Flyers shoes in use during 1995-2007 at least with regard to the midsole, toe cap, and bumper. Are the designs of the accused New Balance shoes and the 1995-2007 PF Flyers substantially similar to the CMT? If they are not substantially similar, do the differences justify the different outcomes between the finding of third-party use by PF Flyers and the finding of no infringement by New Balance?
- (4) Explain who is the purchaser of shoes bearing the CMT (or any relevant shoe, if the answer differs). Is it the general public or a sophisticated buyer? What are the circumstances of their sales, prices, stores, display conditions, etc.? Cite to evidence in the record.

(5) For this investigation in which the complainant has alleged infringement of its trade dress:

- a. Explain whether the Commission should employ the *Dupont* factors, a modified version of the *DuPont* factors, or another framework to assess infringement. Discuss relevant case law (e.g., *Versa Prods. Co. v. Bifold Co. (Mfg.)*, 50 F.3d 189, 202 (3d Cir. 1995) *Eng’g Dynamics, Inc. v. Structural Software, Inc.*, 26 F.3d 1335, 1350 (5th Cir. 1994) (modified on other grounds, 46 F.3d 408 (5th Cir. 1995)); *Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F.3d 665, 670 (Fed. Cir. 2008); *Converse*, 909 F.3d at 1124).
- b. Analyze the evidence in the record that is relevant to whether there is a likelihood of confusion under the *Dupont* factors or the framework you identify in part (a) above for each accused shoe. Factors that are the same for each shoe can be discussed once and do not need to be repeated for each shoe. Include a table summarizing which shoes remain accused of infringement.
- c. Explain the effect, if any, that a heel label, or other relevant branding, has with respect to infringement. Explain whether and how the location of the label or other branding relative to the mark is relevant. Explain whether and how the survey evidence related to the Skechers’ shoe, Daddy’s Money, should inform the Commission’s determination about the relevance of heel label branding for other accused shoes.
- d. For Respondents: if you rely on a heel label or other relevant branding for non-infringement, cite the best available image(s) of the evidence.

(6) For the '753 Registration:

- a. Briefly identify where Converse has asserted its rights arising from the '753 Registration against the active respondents. Did Converse's complaint or pre- and post-hearing briefs, *circa* 2015, allege that the active respondents infringed Converse's rights arising from the federal registration?
- b. If Converse asserted its rights arising from the federal registration against the active respondents, has Converse withdrawn these allegations? If so, how has Converse withdrawn them?
- c. Is there any practical distinction between finding that Converse's CMT lacks secondary meaning and finding the '753 Registration invalid for lack of secondary meaning?

(7) For Converse and OUII:

- a. For each defaulting respondent, please identify the date of the first infringing use. *See, e.g., Converse*, 909 F.3d at 1116-17. Cite to evidence in the record.
- b. Explain whether the Commission should address validity of the '753 Registration when no defaulting respondent has raised validity as a defense.

The Commission has determined not to review the remainder of the RID, including the RID's analysis of the equitable defenses. *See* RID at 86-87.

In connection with the final disposition of this investigation, the statute authorizes issuance of (1) an order that could result in the exclusion of the subject articles from entry into the United States, and/or (2) one or more cease and desist orders that could result in the

respondents being required to cease and desist from engaging in unfair acts in the importation and sale of such articles. Accordingly, the Commission is interested in receiving written submissions that address the form of remedy, if any, that should be ordered. If a party seeks exclusion of an article from entry into the United States for purposes other than entry for consumption, the party should so indicate and provide information establishing that activities involving other types of entry either are adversely affecting it or likely to do so. For background, see *Certain Devices for Connecting Computers via Telephone Lines*, Inv. No. 337-TA-360, USITC Pub. No. 2843, Comm'n Op. at 7-10 (December 1994). In addition, if a party seeks issuance of any cease and desist orders, the written submissions should address that request in the context of recent Commission opinions, including those in *Certain Arrowheads with Deploying Blades and Components Thereof and Packaging Therefor*, Inv. No. 337-TA-977, Comm'n Op. (Apr. 28, 2017) and *Certain Electric Skin Care Devices, Brushes and Chargers Therefor, and Kits Containing the Same*, Inv. No. 337-TA-959, Comm'n Op. (Feb. 13, 2017). Specifically, if Complainant seeks a cease and desist order against a respondent, the written submissions should respond to the following requests:

1. Please identify with citations to the record any information regarding commercially significant inventory in the United States as to each respondent against whom a cease and desist order is sought. If Complainant also relies on other significant domestic operations that could undercut the remedy provided by an exclusion order, please identify with citations to the record such information as to each respondent against whom a cease and desist order is sought.
2. In relation to the infringing products, please identify any information

in the record, including allegations in the pleadings, that addresses the existence of any domestic inventory, any domestic operations, or any sales-related activity directed at the United States for each respondent against whom a cease and desist order is sought.

3. Please discuss any other basis upon which the Commission could enter a cease and desist order.

The statute requires the Commission to consider the effects of any remedy upon the public interest. The public interest factors the Commission will consider include the effect that an exclusion order and/or cease and desist orders would have on (1) the public health and welfare, (2) competitive conditions in the U.S. economy, (3) U.S. production of articles that are like or directly competitive with those that are subject to investigation, and (4) U.S. consumers. The Commission is therefore interested in receiving written submissions that address the aforementioned public interest factors in the context of this investigation.

If the Commission orders some form of remedy, the U.S. Trade Representative, as delegated by the President, has 60 days to approve, disapprove, or take no action on the Commission's determination. *See* Presidential Memorandum of July 21, 2005. 70 FR 43251 (July 26, 2005). During this period, the subject articles would be entitled to enter the United States under bond, in an amount determined by the Commission and prescribed by the Secretary of the Treasury. The Commission is therefore interested in receiving submissions concerning the amount of the bond that should be imposed if a remedy is ordered.

Written Submissions: The parties to the investigation are requested to file written submissions on the issues identified in this notice. Parties to the investigation, interested government agencies, and any other interested parties are encouraged to file written submissions on the issues

of remedy, the public interest, and bonding. Such initial written submissions should include views on the recommended determination by the ALJ on remedy and bonding. Complainant and OUII are also requested to identify the form of the remedy sought and to submit proposed remedial orders for the Commission's consideration in their initial written submissions. Complainant is also requested to state the HTSUS numbers under which the accused products are imported. Complainant is further requested to supply the names of known importers of infringing products at issue in this investigation.

The initial written submissions and proposed remedial orders must be filed no later than close of business on **Friday, February 28, 2020**. Reply submissions must be filed no later than the close of business on **Monday, March 9, 2020**. Initial submissions are limited to 100 pages. Reply submissions are limited to 75 pages. These page limits do not apply to submissions on the issues of remedy, the public interest, and bonding. No further submissions on any of these issues will be permitted unless otherwise ordered by the Commission.

In view of the briefing requested, the Commission has also determined to extend the target date of this investigation to May 28, 2020.

Persons filing written submissions must file the original document electronically on or before the deadlines stated above and submit eight true paper copies to the Office of the Secretary by noon the next day pursuant to section 210.4(f) Of the Commission's Rules of Practice and Procedure (19 CFR 2.10.4(f)). Submissions should refer to the investigation number ("Inv. No. 337-TA-936") in a prominent place on the cover page and/or the first page. (*See Handbook for Electronic Filing Procedures, https://www.usitc.gov/secretary/documents/handbook_on_electronic_filing.pdf*). Persons with questions regarding filing should contact the Secretary (202-205-2000).

Any person desiring to submit a document to the Commission in confidence must request confidential treatment. All such requests should be directed to the Secretary to the Commission and must include a full statement of the reasons why the Commission should grant such treatment. *See* 19 CFR 201.6. Documents for which confidential treatment by the Commission is properly sought will be treated accordingly. A redacted-non-confidential version of the document must also be filed simultaneously with any confidential filing. All information, including confidential business information and documents for which confidential treatment is properly sought, submitted to the Commission for purposes of this Investigation may be disclosed to and used: (i) by the Commission, its employees and Offices, and contract personnel (a) for developing or maintaining the records of this or a related proceeding, or (b) in internal investigations, audits, reviews, and evaluations relating to the programs, personnel, and operations of the Commission including under 5 U.S.C. Appendix 3; or (ii) by U.S. government employees and contract personnel, solely for cybersecurity purposes (all contract personnel will sign appropriate nondisclosure agreements). All nonconfidential written submissions will be available for public inspection at the Office of the Secretary and on EDIS.

The authority for the Commission's determination is contained in section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. 1337, and in part 210 of the Commission's Rules of Practice and Procedure, 19 CFR part 210.

By order of the Commission.

Issued: February 7, 2020.

Lisa Barton,

Secretary to the Commission.

